

## THE EFFECTS OF CAR INSURANCE CUSTOMER PERCEPTION TOWARD PUBLIC RELATION AND CUSTOMER LOYALTY

Johannes<sup>1)</sup> and Harry Budi<sup>2)</sup>

1) Lecturer at Postgraduate Degree, Economic and Business Faculty, University of Jambi,

2) Employee of Indonesian Life Insurance in Jakarta

Correspondence email: [simatupangsbr@yahoo.com](mailto:simatupangsbr@yahoo.com)

### Abstract

*The purpose of this research is to explain the effect of customer perception on PublicRelation toward brandimage and to customer loyalty. Research used surveywhere carinsurance customer is the population. Research result showed that range score of public relation perception, brand image, and customer loyalty have good value. According to SEM analysis result shows that the higher the customerpersceptionon public relation causes the higher the brand image. and the higher the brand image causes higher customer loyalty. So, public relation has positive effect to brand image and customer loyalty. Hence, public relation as a marketing tool should be developed internally to craft the more comprehensive marketing strategy to make customer be loyal and winning the competitions.*

**Keywords:** AJI, AAUI, Jambi, and Selfselling

### Introduction

The competition between insurance firms occurs in high intense level due to economic welfare improvement. A firm may do something unexpectedly at the market toward their competitor. Hence a firm should formulate a unique strategy to win competition. Kotler, P. & Keller, Kevin. L. (2012) stated that competition makes a firm have to craft strategy to sustain customer, develop market segment, increase sales volume, and reach maximum profit. In the future, competition especially in Indonesia will be higher due to the insurance prospect. In insurance market, Setiawan, S. (2012) argued that Indonesia Insurance performance is still low compared to other Asean's countries, but better government policy will improve the insurance climate that make great progress. Furthermore, Rohma, M. (2007) argued that insurance industries in Indonesia will rise significantly due to the government policy that increases public trust to the insurance firms. In line with this, insurance firms at local government established their branch to penetrate market including in Jambi Province.

Based on AAUI (*Indonesian Association General Insurance*) there are 21 general insurance companies in Jambi, otherwise all types of insurance are 90 insurance firms. Some indicators that show insurance market attractiveness are insurance premium, large market, number of insurance firms, and local economic growth. One of insurance firms is PT. Asuransi Jasa Indonesia Pesero (AJI) that consists of 9 codes of business it consists of 1) corporation premium and 2) retail premium. Due to the products car insurance shows significant performance - car premium has established higher premium sales, in 2013 is 43, 63% compared to total gross premium a year at AJI.

On insurance business, public relation (PR) has an important role to the customer to decide purchasing decision. Many roles that PR could be practised are deliver marketing stimulation where perception, learning, experience determines the decision. As a marketer, PR helps customers to interpret insurance stimulus. So, customer perception on the role of public relation will help themselves to decision insurance purchasing. Factor that determines the decision is also dependent on external factor, they are culture, sub culture, family, and sub family. Essentially the main task of insurance firms is handling customer risks that occurs on customers based on any procedure that has been agreed both by firms and customers. Risk type that could be insured is increased and varied year to year, namely health, personal, education, life, volcanic eruption, storm and others. These make demand for insurance product increase continually.

One of the large insurance firms in Jambi is AJI, where its main product is car insurance that also provides by 29 other insurance firms. Loyalty is one of the aims of a firm. For this reason, Kotler, P., and Keller, Kevin, L. (2012) stated one of the main marketing task is to retain customers and to create loyalty. Hence, PR roles should be considered on customer loyalty program. Traditionally PR has a role to be firm representation. Grunig, James, E. & Grunig, Larissa, A. (1998) emphasize that the role of PR traditionally characterized by firm brand building, instead of integrating their function to achieve marketing goals. According to this argumentation, there is no lot of research that relate with the function of public relation, especially in insurance

to build customer loyalty. Therefore, research purposed is to explain the effect of car insurance perception toward public relation and customer loyalty.

### Reserach Purpose

- 1) To explain the effect of public perception on brand image and customer loyalty
- 2) To explain the effect of public relation perception on customer loyalty in relation with brand image

### Literature Review

Insurance Marketing practice however has different perspective compare with other business. It is categorized to services marketing that establish by formal agreement between firms and customer. Insurance market will rise whenever economics grows better, so does the competition between the firms. Hence firms should make their strategy to retain the customer to be loyal. For this reason, to make customer loyal, AJI formulates Care as their slogan Character, Accurate, and Efficient for their human resource slogan. So, the main task of the firms are to handle many claims that raised by customer, coordinating, paying, and solving big claims.

Furthermore, insurance product is categorized to blended product where service and goods is found. Product attribute was mixed to make customer pay more attention to the products. As Zaithaml, Valarie, A. et al. (2006) explains characteristics of services are: 1) lack of ownership, 2) inseparability, 3) intangibility, 4) perishability, and 5) heterogeneity. So marketer should consider those characteristics especially on service business.

People have main role in insurance to deliver messages. In line with this, public relation is the functional position that enabling organization to increase trust. According to Hung (2008) public relation effectiveness could be measured through these points: 1) message release, 2) expenditure, 3) public relation activities, 4) crisis, 5) management, 6) two way communication, 7) Sponsorship, 8) Continuity, and 9) important. According to Zaithaml, Valarie, A. et al., (2006) customer loyalty is indicated by: 1) continue purchasing, customer that continually purchase and consume the product, 2) say positive things, they tell positive to people who interested to buy their product, 3) encourage, they push people to buy the certain products, and 4) first chance, ready to be first chance to consume where new product release

### Research Method

Research implemented is survey that combine secondary and primary data to be gathered. Primary data was collected through AJI's customers in Province of Jambi. Survey used questionnaires to gather informations. Sampling was done based on probability sampling technique. Data was managed by using statistical packet, both SPSS and Lisrel that addressed to formulate SEM. In order following the procedure, Chi-Square is implemented as statistical tool to examine the relation of observed data. Statistic use  $\alpha = 0.05$  to determine significant consideration. Principally data was managed by using Regression, but the research use SEM (*Structural Equation Model*) as an approach to construct and examine the relation between variable observed both exogen and endogen.

### Results and Discussion

AJI has a slogan to attract customers; *safe in hearth and low in premium*. This vision is enlarged to be involved in social responsibility activities to respond and support economic growth. To establish vision, PR has an important function to make it work to build positive image. To support it, PR is a part of Unit Marketing Communication and Public of AJI.

Based on the questionnaire result processing, some important variable is explained as follow. Respondent sex characteristic consist of: of male (71%) and female (29%); age modulus distribution is 25–34 year. Respondent education level respectively is: S1 and diploma (50 %), postgraduate (31%), and Senior High School (SMA) (19 %). Furthermore, respondent occupation consist of: private sector (39%), civil official (28 %), others are living home (10 %), entrepreneur (3%), and others (2%). Meanwhile, based on monthly expenditure, it is known the expenditures respectively are: Rp. 2,5 - 5,5 million (38%), less than Rp. 2,5 juta (16 %), Rp. 5,5 to 10,5 (12%), and more than Rp. 15 billion (7%). Finally, based on AJI insurance service, respondent duration classified as follow: 32 percent respondent has experience (1-2 years), 18 percent (3 years), and 21 percent (less than one year). So mostly the respondents have experience on insurance services.

Different measure is used to reveal variable relation. Based on statistical Crosstab analysis, it was known three variables that have significant relationship; respondent ages and insurance duration usage, expenditure and insurance duration usage, and education and insurance type products. Furthermore, it is found that V (*Cramer Coefficient*) is 0,473 that imply the relationship magnitude. Research variables are described below.

- **PR Perception (PRP).** PR customer perception performance score is calculated through questionnaires that calculate each response. It is found the score is categorized high 3.41 - 4.02, it implies that respondent very

agree with the statement. PR however has been perceived by the customer in coordination with their behavioral consumption. Perception caused preference where the customer to be ready to use or consume firms offering.

- **Brand Image.** According to Kotler, P & Keller, Kevin. L. (2012), brand image describes the extrinsic properties of products, including the ways in which the brand attempts to meet customers' psychological or social needs. Brand images will encourage customer to be loyal customer. Brand image coverages more than benefits offered, but it is related to the outsideproperties. There are some attributes of brand image they are symbolism, funtional needs and experiential needs. The avarage score of this figure is about 3.41-4.20, it is categorized as agree level baed on questionnaires.

- **Customer Loyalty.**To kepp the loyal customer is one of the marketing purposes that ensure firms sustained in the long term. The avarage score of customer loyalty is about 3.41 – 4.20, this figure is belong to good enough categorial.

As SEM procedureis followed, calculation process is precededby confirmatory factor analysis (CFA), then it continued by model examination to test the hipothesis. The result of CFA showed that 4 variables indicate poor fit condition, and 10 is shows good fit condition. Hence, the model could be concluded as fitenoughfor hipotesis testing. The result is shown below.

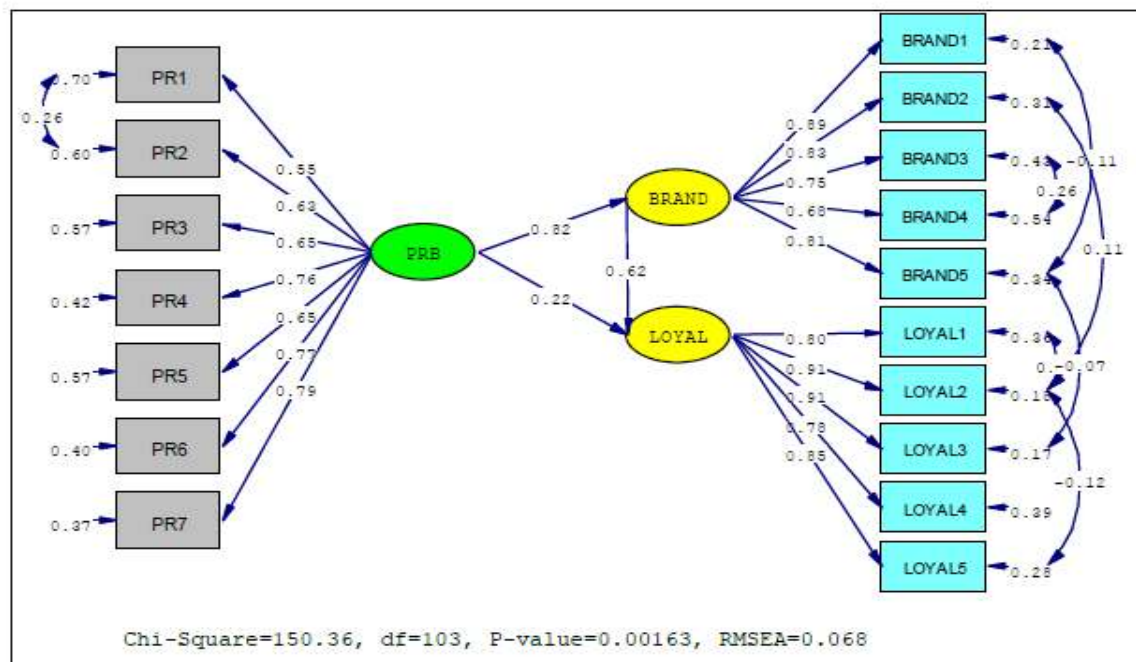


Figure 1. Path Model of Variable Reserach

Data processingresult showsthat tcoefficient from variables structure could be shown at Graph 1. The t scores which >1.96 showsthat tcoefficientet is significant, so it implies that the hyphotesis is significant too, receiving H<sub>1</sub>. LISREL program procedure shows that first hypothesis, public relation perception haspositive relationto brand image, where t value is 18.34 and the coeeficient is 0.82. The second hypothesis is shown by effects Brand Image's coefficient is 0.62. It implies that the better firms brand image, the more loyal the customer to the firm. Furhtermore, hypothesis two, brand image has positive, 0.62 on customer loyalty. And hypothesis 3, that formulate the relation of public relation and customer loyalty showsnon significant relationship.

## Discussion

Insurance marketing is a unique where customer receives the benefits after complaint approved, or accident happen to the customers. So, the most important thing is to build trust from the beginning. The accident is not expected but consumer must perceive secured being paid premium. Hence, marketing perspective that fit to car insurance is relationship perspective, instead of transaction. Additionally, Kotler, P. & Keller, K. Lane (2012) proposes holistic marketing approach that integrated four marketing components: 1) internal, 2) integrated, 3) relationship, and 4) performance. Hence, firms should implementing internal marketing that requires employee that has competencies to mastering marketing principles. Eva-Cristina, P., Al. Nicole, P. (2008) said, especially on insurance marketing marketer should prioritize trust. This is added by Hsieh Shu-H., Liu Chun-T. & Tzeng Larry-Y. (2014) who said that insurance marketing is characterized by asymmetric information that requires marketer help customer to understand the products and perceived better value be established.

Research results for variables score showed that public relation has higher score compare to two other variables, brand images and customer loyalty. Furthermore, public relation perception shows positive relationship with brand image and customer loyalty. So, the role of PR should be developed to deliver firms value. Some competencies that recommended to PR are: 1) communications, 2) interpersonal communication, and 3) creativity. In this point of view, Bosilkovski, C and Moon, Lee, J. (2013) argued that the role of PR as referent, legitimate, and expert/informational, while most estimated they have very little power within the organization. He additionally said PR may have more power to the external, but within the organization PR is powerless.

PR however has large function creates loyalty where vulnerable due to some temptations. Temptations here recently emerges from the competitor strategy that prepares car insurance both for risk bearing and investment scheme. There is tendency where customers that do not make any complaint in one year, they expect their money as an investment that produce income. Golman, V (2014) said that automobile insurer organization being tasked with new challenges, competition increasing, requirements for quality improvement. One of the car insurance hence is characterized by comfort service where customer need to be easily served when they have complaint. Service strategy here should be built to make consumer to be loyal. Theil, M. (2003) said that marketing in insurance marketing is specific because the product is not self-selling product. Hence insurance marketer could start from numerous starting points to promote insurance. Tanhai, F., *et al.* (2013) emphasize the important of employee job satisfaction as a requirement to make them committed to serve the customer.

As marketing paradigm shift from transaction to relationship, PR and marketer should create broad relationship where customer considered in long life perspective. Additionally, Sison, Marianne, D. (2010) proposed PR roles should be involved in three agency role, they are: corporate compliance, agency of concertive control, and agency of critical conscience. Grunig, James, E. And Grunig, Larissa, A. (1998) conclude the function of PR should be linked with marketing communication to make organization reach organizational goal be more effective. It is supported by Prindle, R (2011) that requires PR that should be skilled and experienced in storytelling and social media both of which have become important tools in successful brand communication.

Based on research result, future research for related topics here is examine the customer perception on variety scheme of car insurance scheme for it is important to build PR focus in competition ages.

## Conclusion and Suggestion

Based on above explanations, here are some important conclusion and suggestions.

### Conclusion

1. The role of PR should be enriched as comprehensive marketing service to keep customer to be loyal especially by handling many complaints and shift the role from transaction perspective to relationship.
2. Firms need to explore the value of insurance that based to the competitor program that practice insurance and investment program on one transaction.
3. Public relations as marketing tool should be developed to make organization to be more competitive to the competitor and in doing so, internally PR should be empowered to firm management as a system.

### Suggestion

1. Increase public relation creativity on delivering firm's value and making customer to be more loyal.
2. Explore variables that influencing brand image, not only following competitor's way to build customer loyalty.

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